



Arizona Corporation Commissioners  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

April 20, 2011

Sulphur Springs Valley Electric Cooperative Inc. 2011 REST Plan and Tariff/Docket No. E-01575A-10-0308

TO: Arizona Corporation Commissioners

RE: Solar incentives for leased vs. owned systems

SolarCity would like to take this opportunity to comment on Sulphur Springs Valley Electric's comments regarding staff report and draft recommended opinion and order. Specifically, we would like to address SSVEC's assertion that leased systems should be treated differently from owned systems when determining eligibility incentives. SSVEC has stated that "the Cooperative has no expectation that the systems will be there long term." We believe that this assertion has no factual basis, as enumerated below.

First, SSVEC states that the purpose of their incentive is "to lower the purchase cost of a system for the homeowner." We believe that that is precisely what a leasing company such as SolarCity is doing when we offer a system to our customers for little or no money down. Essentially, we believe that the high upfront cost of solar is a formidable barrier to adoption and we have tried to take that barrier away by offering no – or low- upfront cost solar. However, it is only by utilizing incentives such as utility rebates and the Federal ITC that we are able to offer our customers access to solar for much less than the cost of a system purchased outright.

Second, when a homeowner installs a purchased system on their house, they are under no obligation to keep it on their roof for any specified length of time. However, when SolarCity installs a system on a homeowner's roof, the homeowner signs a contract that states their intent to leave the system on their roof for 20 years. After the 20 years are up, the homeowner has the option to renew their lease (and keep their energy savings and cost escalator) for two more five-year increments. This means that the system is likely to be on the homeowner's roof for 20-30 years, which is the length of most panel warranties. If the homeowner breaks or defaults on their lease with SolarCity (and so far we have a 0% default rate), we will make every effort we can to redeploy the system, at no extra cost to the utility, within the utility's service area.

At the same time, leased systems are provided with operation and maintenance services by SolarCity to ensure that they are producing at capacity. This means that not only are leased systems cheaper for homeowners but also that they produce more electricity than average systems, thanks to consistent O&M and monitoring.

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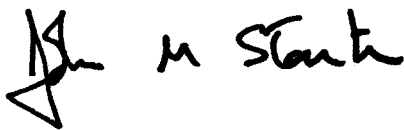
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Finally, it is worth noting that requiring leased solar systems to use the off-grid PBI would be at odds with every other utility in the state. There is no precedent for this action as all other utilities offer those who choose leased systems the same incentive as homeowners who choose to purchase their system.

We strongly disagree with SSVEC's characterization that leased solar systems will only be installed for a short period of time. As discussed, systems installed and leased by SolarCity are required to stay on a home for a minimum of 20 years, per the contract signed by homeowners and if it for some reason becomes necessary to remove the system, SolarCity has committed to doing everything we can to redeploy the system within the same utility service area. It is in our best interest to do this because we own the equipment and would like to see it put to use and generating income and electricity. Therefore, we encourage the Commission to adopt Staff's recommendation that state that leased solar systems are entitled to the full incentive that purchased systems have access to. Many thanks for your time and attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "John Stanton". The signature is stylized, with a large, looped initial "J" and a cursive "Stanton".

John Stanton  
Vice President of Government Affairs  
Solar City